

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

NOTICE OF MARKET-DOMINANT
PRICE ADJUSTMENT

Docket No. R2013-10

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 6, QUESTIONS 1-2
(October 29, 2013)

The Postal Service hereby files its responses to questions 1-2 of Chairman's Information Request No. 6, issued on October 23, 2013. The question is stated verbatim, and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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1. Please refer to "CAPCALC-FCM-R2013-10_Rev.10.18.13.xls" in Library Reference USPS-LR-R2013-10/1 - Errata.
 - a. Please confirm that the formula in workbook tab "Presort" cell D35 should be "=SUM('Quarterly BDs'!K18:N18)" instead of "=SUM('Quarterly BDs'!K18:L18)." If not confirmed, please explain.
 - b. In workbook tab "Quarterly BDs," cell E11 shows the additional ounces for single-piece flats for the fourth quarter of 2012 as 1,122,897. The FY 2012 Market Dominant Billing Determinants filed on March 25, 2013 show the additional ounces for single-piece flats as 967,988. See FY 2012 FCM.xls, tab "A-7 Single-Piece Flats," cell H14. Please explain this discrepancy.

RESPONSE:

- a. Confirmed. The formula was corrected in the file ChIR4.Qu1-2.Response.xls, filed on October 25, 2013, as part of the response to ChIR No. 4.
- b. The correct number is 967,988, as reported in the FY2012 Market Dominant Billing Determinants filed on March 25, 2013. The Excel file ChIR4.Qu1-2.Response.xls, filed with the response to ChIR No. 4 on October 25, 2013, includes that correction.

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2. Please provide a detailed analysis of how the establishment of separate rate categories for stamped and metered single piece First-Class letter mail is designed to help achieve the objectives listed in 39 U.S.C. § 3622(b) and properly take into account the factors listed in 39 U.S.C. § 3622(c).

RESPONSE:

In establishing a new price for single-piece metered letters the Postal Service helps achieve many of the objectives set forth by section 3622(b). The Metered mail category, as proposed, includes single-piece letters with postage affixed by meter, information-based indicia (IBI), permit imprint, or pre-cancelled stamps. The price meets Objective 1 by focusing on methods of single piece postage payment which do not require stamp production, distribution and cancellation. This will provide operational savings for the Postal Service as there is less need for stamp production, and lower costs for distribution and cancellation.

Objective 2 is met by our advance notice of the price, and by the price's role in keeping the increases for First-Class Mail below inflation. By using pricing flexibility to create an incentive for small and medium business and some consumer segments to continue to use the mail in a convenient way, volume will grow, which supports Objectives 4, 5, and 8.

The Postal Service also takes the factors listed in section 3622(c) into account. The nature and senders of metered letters differ from the remainder of single-piece First-Class Mail letters (i.e., stamped and PVI letters). Senders of

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metered letters are generally small to medium-sized businesses; whereas, stamped letters are generally sent by individuals or small businesses. The purpose of introducing a relatively lower metered rate is to encourage small businesses to convert from using stamps to meters. This will foster a more consistent use of the postal system, slow down the migration to alternative channels, and grow mail volume in the long run (Factor 7). The metered rate might also generate opportunities for individuals to switch from stamps to shared meters or PC Postage (Factor 7). An apartment building or retirement community might obtain a meter for its residents to use for their mail.¹ Finally, the proposed meter price also provides predictability and simplicity of structure by offering the same additional ounce rate as the rest of the single piece product (Objective 2, Factor 6).²

Moreover, experience from foreign posts suggests that having a special meter rate encourages meter use for correspondence, transactional and/or marketing-related communication. This, in turn, also results in: (1) customer convenience and productivity gains for mailers, particularly small and mid-size businesses; (2) operational savings for the Postal Service from reduced stamp

¹ Thus, contrary to concerns raised by the Greeting Card Association (GCA), the proposal can benefit mailers beyond the "one segment of the business use community", including household mailers. Comments of the Greeting Card Association at 4-8 (Oct. 16, 2013).

² The Postal Service therefore disagrees with the GCA's argument that the price design is irrational. Comments of the Greeting Card Association, at 8 (Oct. 16, 2013).

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production and lower distribution and cancellation costs(Factors 2, 7, and 12); (3) lower postal revenue-protection risk associated with theft of stamps and enhanced intelligence on the mail from meter and PC Postage records (Factor 13); and (4) more cross-selling opportunities which encourage these customers to use the mail in new and creative ways. The foreign posts found that the availability and convenience of metering capability led to increase usage of their offerings rather than those of competitors.